

Contract Negotiation Techniques

Bargaining Techniques

Chapter 5



Federal Acquisition Institute
General Services Administration

Aim High

- Higher expectations produce better results
- Expectations are a self-fulfilling prophecy
 - Bargainers who think they will succeed achieve negotiation success.
 - Those who think failure is inevitable experience setbacks
- Develop high expectations for the other side. Do not make assumptions about your position.
 - Be skeptical of the other side's position.
 - Make realistic assumptions about the other side.
 - Remember the unknown

Give Yourself Room to Compromise

- **Concessions always necessary**
- **Open low, you can always go up**
- **Justify opening position**
- **Unreasonable opening positions with “too much room” are counterproductive**

Do Not Volunteer Weakness

- Don't volunteer information detrimental to your bargaining position.
- Tell the truth, but avoid revealing more than necessary.

Everyday Violations

- “My car just broke down”
- “Your product is the only one”
- “We have a surplus”
- “We must sell it today”
- “I can’t get credit”

Less Obvious Violations

- "The Boss likes to do business with your firm."
- "My vacation starts tomorrow"
- "Funding increased this year"
- "I'm up to my neck in work"

Satisfy Non-price Needs

- Identify non-price needs
 - Price is never only issue
 - Non-Price needs are often hidden
- Find ways to satisfy the non-price needs
- What are non-price needs in sale of a family owned business?
 - Firm name
 - Employee/customer retention
 - Adherence with established practice



Use Concessions Wisely

- **When giving, ask for something in return**
- **Concede slowly, in small amounts**
- **Avoid splitting the difference**
- **Other key points**
 - **Use concessions to break impasses**
 - **Get what is important**
 - **Concede the least important**

Put the Pressure on the Other Side

- Believe in the unknown pressures facing the other side
- Resist artificial pressures
 - Guard against conscious and subliminal pressures that do not affect bargaining
 - For example, don't be swayed by fancy offices, books on display or credentials and titles
- Refer to competitive alternatives
 - But use care to be subtle!

Use the Power of Patience

- Patience exhibits resolve
- Additional time stresses the other side
- Americans tend to be impatient
- Big payoffs for extra time
- Balanced win/win outcomes take time

Be Willing to Walk & Come Back

- Deadlock cannot always be avoided
- Some parties are unfair and unreasonable
- Come back when better deals can't be found
- Try not to make the first move after deadlocking (but come back anyway)
- Forestall walkouts by the other side

Say it Right

- Its not what you say but how you say it
- Even generous offers are refused when other side is slighted or provoked
- Always be cordial and business-like
- Say things in a win/win manner
- Avoid controversial remarks
 - Violations occur even when there is no intention
 - Do not provoke when provoked
 - Avoid personal pronouns when disagreeing

Be Prepared

- Know strengths and weaknesses of both sides
- Identify non-price needs and ways to satisfy
- Sellers have an inherent preparation advantage
 - Intimately aware of product or service provided
 - Cumulative preparation time from repeat deals
- No substitute for good preparation

Summary

- **Negotiation success determined by bargaining skill as much as circumstances**
- **Expert negotiators have certain universally accepted techniques in common**
- **Will increase success in professional and personal bargaining sessions**
- **Standard criteria for judging negotiation exercises in course**